

WATER AND WASTE DISPOSAL LOAN AND GRANT PROGRAM

Committed to
the future
of rural
communities in
California

United States
Department of Agriculture
Rural Development
California

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Lender, Provider and
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sent to USDA Director,
Office of Civil Rights,
Washington, D.C. 20250

RUS - 5/06

Providing affordable financial assistance for improvement of water and waste disposal systems, solid waste disposal systems and storm drainage systems in rural communities, to:

- Promote rural economic development
- improve public health, safety and quality of life

ELIGIBILITY

Eligible Applicants: Funds are available to public entities, such as municipalities, counties, special-purpose districts, and Indian tribes. In addition, funds may be made available to corporations operated on a not-for-profit basis.

Eligible Areas: Loans and grants may be made in rural cities and towns that have a population of no more than 10,000 according to the most recent decennial census.

Other Credit: Applicants must certify and document that they are unable to obtain funds from commercial sources at reasonable rates and terms.

LOAN RATES AND TERMS

Rates: All loans have a fixed interest rate once the loan is approved. There are three possible interest rates depending on the purpose of the loan and the median household income of the service area. The most current rates are available on the RUS Water and Environmental Programs Home page at <http://www.usda.gov/rus/water/int-rate.htm>.

Terms: The law authorizing the program allows a maximum repayment period of 40 years. However, the repayment period cannot exceed the useful life of the facilities financed or any statutory limitation on the applicant's borrowing authority.

GRANTS

Grants may be provided in conjunction with loans to reduce user costs to a reasonable level. They may cover eligible development costs in the following percentages but are limited in availability:

- 75 percent when the MHI of the service area is below \$38,812 and the project is necessary to alleviate a health or sanitary problem.
- 45 percent when the MHI of the service area exceeds \$38,812 but is not more than \$48,516.

FUNDING AVAILABLE

There are no minimum or maximum limits on funding; however, limits may exist depending on the availability of funds and/or the project's feasibility. The average size project under this program is about \$1.8 million. The program is subject to annual Congressional Appropriations and historically California has received around \$50 million of funding annually.

ADVANTAGES

- No fees
- No Prevailing or Davis-Bacon wages
- Longer terms allow better cash-flow
- Funds can be leveraged with other sources

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ELIGIBLE PROJECTS AND COSTS

Types of projects financed include:

Water – such as pumping facilities, treatment plants, and distribution systems.

Wastewater – such as collection pipelines and treatment plants.

Solid waste – such as transfer stations, recycling centers, and waste conversion facilities.

Storm Drainage – such as basins and collection systems necessary to direct water off of streets.

Loan and grant funds may be used to pay most project costs including:

1. Construction, modification, expansion, or improvement of water supply and distribution systems and waste collection and treatment systems, including storm drainage and solid waste disposal facilities. Certain other costs related to development of the facility may also be covered.
2. Acquiring needed land; water sources, and water rights.
3. Pay costs such as legal and engineering fees when necessary to develop the facility.

SECURITY

Loans to public bodies are generally secured by tax-exempt notes or bonds pledging taxes, assessments, or revenues in connection with the project. Public bodies are required to obtain the services of a recognized bond counsel in preparation of the security instruments. Loans to not-for-profit borrowers are secured by a lien on all land, equipment, easements, and rights-of-way along with an assignment of income.

GENERAL REQUIREMENTS

Feasibility – all projects must be based on assured income in an amount sufficient to provide for operation and maintenance, reserves, and debt repayment.

Environmental – facilities financed with these funds are subject to review under the National Environmental Policy Act (NEPA).

Reserve – each borrower must provide for at least an annual reserve equal to one-tenth of an average annual loan installment each year for the life of the loan.

Interim Financing – for projects over \$500,000, applicants are typically required to obtain interim construction financing from other sources.

Public Meeting – Within 60 days of filing an application with the Agency the applicant must publish a notice of intent to apply for a loan/grant. In addition, the applicant will be required to hold at least one public meeting prior to loan approval.

APPLICATION PROCESS

USDA Rural Development uses a two-part application process for selecting projects to receive funding. First, a preapplication is used to assess the applicant's eligibility, priority to compete with similar preapplications, and advises applicants on the availability of loan/grant. If an applicant's preapplication is determined eligible, then the Agency will invite an application to be submitted. The application will require more detailed information to be submitted. This allows the Agency to complete an overall review of the financial, environmental, and engineering components of the project. Preapplications and applications are accepted on a continuous basis.

For more information call or visit the USDA Rural Development office near you or go to our website at:
www.rurdev.usda.gov/ca

You can also call our USDA State Office at **530-792-5800** for help in finding your nearest local office.